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Annual Report

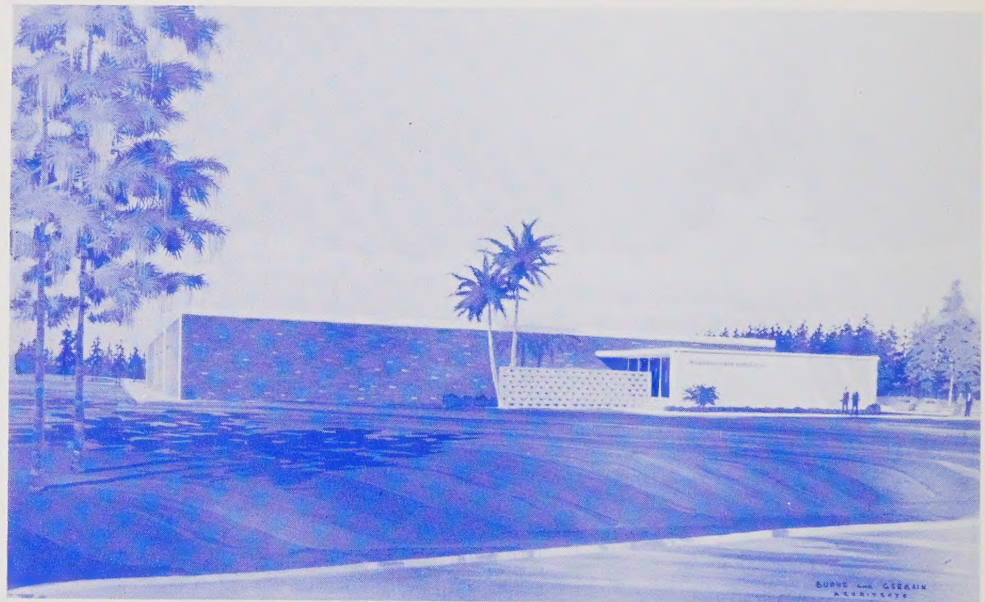
1966

59th
YEAR



New manufacturing plant and
warehouse, Elkhart, Indiana.

PAN AMERICAN SCREW CORPORATION
JACKSONVILLE, FLORIDA, U.S.A.



PAN AMERICAN SCREW CORPORATION
SAN JUAN, PUERTO RICO, U.S.A.

1966



Annual Report

EXECUTIVE OFFICERS

A. E. BARRON, Chairman of the Board
CARL H. ANSINGH, President and General Manager
JOHN E. HALL, C.A., Executive Vice-President and Secretary-Treasurer
L. E. GAZLEY, Vice-President and Sales Manager
GEOFFREY DREGER, Vice-President of Manufacturing
DOUGLAS G. RIDDELL, Vice-President of Foreign Operations
RONALD C. OLINOSKI, Comptroller

DIRECTORS

CARL H. ANSINGH
ALEX E. BARRON
JOHN E. HALL, C.A.
DAVID D. HAY
DOUGLAS S. JOHNSON, B.A. SC.
G. W. MacKENZIE
R. H. PTOLEMY
FRANK W. YOUNG

AUDITORS

W. F. HOUSTON & COMPANY, Chartered Accountants

TRANSFER AGENT AND REGISTRAR

THE CANADA TRUST COMPANY

BANKERS

THE BANK OF NOVA SCOTIA

HEAD OFFICE

TORONTO, ONTARIO, CANADA

Report of the Directors to the Shareholders

Profits We are pleased to report a Consolidated Net Profit of \$677,411 of the Company's Canadian and United States operations. In prior years it was our policy to report the operations of the Canadian Companies separately from the operations of our wholly-owned United States subsidiaries. On December 5, 1966 the \$1.00 Dividend Participating Third Preference Shareholders and the Common Shareholders approved of the change recommended by the Directors, namely, to consolidate the Balance Sheets and Profit and Loss Statements of the Canadian and United States Companies. In 1965 the Canadian Companies earned Net Profits of \$650,972 and the United States Companies earned Net Profits of \$155,689.

Profits and sales of the Company's Canadian operations were up for the first six months of 1966 but reduced demand for our products together with higher labour and other costs depressed earnings in the last six months. Earnings for the full year were lower than the previous year.

The Company continued an extensive expansion program during 1966 in both Canada and the United States. Under the Canadian Income Tax Regulations we were permitted a 50% write-off for depreciation on new equipment purchased in 1965 and 1966. Because the 50% write-off would result in an excessive charge in 1966 we have recorded in the accounts normal rates of depreciation for 1966 but will use higher rates allowed for tax purposes.

Profits of our United States operations were slightly lower than the previous year due to pre-operating expenses of the new manufacturing facilities at Jacksonville, Florida and Elkhart, Indiana.

During the year the Company spent \$1,254,721 on land, buildings and equipment in Canada and the United States. This expenditure was partially financed by the issue by the Company of \$600,000 Series "C" 7¼% Debentures due December 1, 1986.

Dividends and Earnings per Share During the year the Company paid dividends of \$1.20 per share on the outstanding \$20.00 par value 6% Cumulative Redeemable First Preference Shares. The consolidated net profits of \$677,411 were equivalent to more than eleven times the dividend requirements on the First Preference Shares.

After providing for the dividends on the First Preference Shares, the 130,670 Cumulative \$1.00 Dividend Participating Third Preference Shares are entitled to dividends of \$1.00 per share per annum plus a participating dividend of 10% of the consolidated net profits earned in excess of \$300,000. The participating dividend of 28 cents per share will be paid on July 1, 1967. On July 1, 1966 the Company paid a participating dividend of 26 cents per share based on the 1965 profits of the Canadian operations. The consolidated net profits of the Company in 1966, after providing for the dividends on the First Preference Shares, were equivalent to \$4.75 for each Third Preference Share.

After providing for the dividends on the Preference Shares, the consolidated net profits available to the Common Shares totalled \$452,973 or \$3.47 per Common Share. The Common shareholders received 80 cents per share in 1966 representing the redemption for cash of stock dividends.

Canadian Operations

Toronto Head Office and Warehouse It was decided during the year to purchase a 40,000 square foot building on a 3-1/3 acres of land in the Rexdale area of Metropolitan Toronto. This Building has been altered to incorporate the re-location of our Head Office from Milton to Toronto.

We are now able to give better telephone service and to carry larger inventories for prompt deliveries to our customers in this area.

Metropolitan Toronto is the fastest-growing diversified manufacturing area in Canada. By locating in Rexdale we expect to get a greater share of this market.

Scrulox Research Corporation A new subsidiary company was incorporated and is now in production in a small building on our Rexdale property. This company manufactures Tungsten Carbide Tooling used in the cold heading fastener and wire industries. Modern specialized equipment was installed and is now producing carbide tooling for use in our Milton, Montreal, Puerto Rican, Jacksonville and Elkhart plants.

It is our intention to sell Tungsten Carbide Tooling to other users in the near future.

Milton Plant Additional fast and improved production equipment was installed in our Milton Plant.

Our building program is now completed. The additional space provided from altered buildings and new additions has improved manufacturing and warehousing.

We are now able to store large quantities of steel rods inside our buildings. This is resulting in less wastage through corrosion due to weather exposure.

Centennial Project In cooperation with the Ontario Water Resources Authority, complete effluent treatment and waste water recovery facilities were contracted for and installation started in 1965. These are now nearing completion.

This considerable expenditure is our CENTENNIAL PROJECT and is a result of your company's realization of the urgent necessity of removing contamination and pollution from the streams and lakes of our country.

United States Operations

Elkhart, Indiana Four acres of land were purchased in Elkhart, Indiana (near Chicago) and a new factory and warehouse was built. Complete manufacturing facilities were installed including plating equipment. This plant is now running efficiently. A greater selection of fasteners are now carried in stock in this warehouse to service our increasing number of customers in the middle Western United States, particularly in the Chicago area.

Jacksonville, Florida Manufacturing was started in Jacksonville where we are concentrating on the manufacture of Stainless Steel Fasteners and smaller-gauge screws. This plant is now operating and personnel is being trained so that production can be increased.

Puerto Rico The installation of equipment of new design in our Puerto Rican plant has improved efficiencies. Additional equipment is on order for this plant.

Conclusion We extend our sincere thanks and appreciation to our employees, customers, suppliers and shareholders for their continued and valued support during the year.

On behalf of the Board,

Toronto, Ontario,
April 21, 1967.

C. H. ANSINGH,
President.

Consolidated Balance Sheet



ASSETS

Current Assets

Cash on Hand and in Bank	\$ 111,695	
Accounts Receivable less Provision for Doubtful Accounts	1,690,573	
Inventories — at Lower of Cost or Market	5,237,814	
Refundable Income Taxes	39,459	
Prepaid Expenses and Deposits	<u>57,076</u>	
		\$ 7,136,617
Special Refundable Tax		26,208

Fixed Assets

Land, Buildings, and Leasehold Improvements — at cost	2,202,442	
Machinery and Equipment — at cost	<u>5,640,449</u>	
	7,842,891	
Less: Accumulated Depreciation	<u>4,613,961</u>	
		3,228,930
Patents and Trade Marks — less Amounts written off		<u>15,302</u>

Approved on behalf of the Board:

CARL H. ANSINGH, Director

JOHN E. HALL, Director

\$10,407,057

AS AT 31 DECEMBER, 1966

LIABILITIES

Current Liabilities

Bank Loans and Overdraft	\$1,052,380	
Short Term Borrowing	1,000,000	
Accounts Payable and Accruals	669,812	
Preference Dividends — Payable January 1, 1967	46,962	
Preference Dividend — Participating — Payable July 1, 1967	36,588	
Current Maturity of Long Term Debts (Note 2)	<u>314,369</u>	
		\$ 3,120,111

Deferred Tax Credit (Note 4) 112,243

Long Term Debt (Note 2) 1,875,401

Capital and Surplus

Capital Authorized (Note 1)	
Capital Issued and Outstanding	
47,650 — 6% Cumulative, Redeemable First Preference Shares — Par Value \$20.00 each	953,000
130,670 — Cumulative \$1.00 Dividend, Participating Third Preference Shares Without Par Value	271,060
130,670 — Common Shares Without Par Value	
	<u>1,224,060</u>
Consolidated Earned Surplus	<u>4,075,242</u>

5,299,302

The attached notes form an integral part of the financial statement

\$10,407,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER, 1966

Note 1 — Authorized Capital

247,650 — Cumulative, Redeemable, First Preference Shares with a par value of \$20.00 each, issuable in series, of which 47,650 shares are designated as 6% Cumulative Redeemable First Preference Shares — Series A.

9,346,650 — Non-Cumulative, Redeemable, Non-voting, 3% Second Preference Shares with a par value of 20 cents each. 522,680 shares were allotted and issued as stock dividends to Common Shareholders, and were redeemed during the year ended December 31, 1966.

130,670 — Cumulative \$1.00 dividend Participating Third Preference Shares without par value.

130,675 — Common shares without par value.

Supplementary Letters Patent dated December 7, 1966, vary to a consolidated basis, the provisions attaching to the Third Preference Shares the details of which have been communicated to the shareholders of the Company.

Note 2 — Long Term Debt

	Total	Current Maturity	Non- Current
4½% Sinking Fund Debentures — Series A Due May 1, 1976	748,000	73,000	675,000
6¼% Sinking Fund Debentures — Series B Due December 1, 1980	560,000	40,000	520,000
7¼% Sinking Fund Debentures — Series C Due December 1, 1986	600,000	30,000	570,000
6½% Bank Note Payable — payable in quarterly instalments; final payment April 15, 1968	253,452	168,968	84,484
Mortgage Payable — payable in monthly instalments; final maturity July 1, 1976	28,318	2,401	25,917
	<u>2,189,770</u>	<u>314,369</u>	<u>1,875,401</u>

Note 3 — Consolidation Policy

All wholly-owned subsidiaries are consolidated.

The accounts of the foreign subsidiaries have been converted to Canadian currency at the following rates of exchange:

- Current assets and current liabilities — at rates prevailing December 31, 1966.
- Fixed assets and long term debt — at average rates prevailing during the years of acquisition.
- Revenue and expenditures — at average annual rate for 1966.

Note 4 — Deferred Tax Credit

Income taxes of \$112,243 not currently payable arise as a result of claiming for income tax purposes the 50% straight line capital cost allowance on eligible equipment whereas depreciation was recorded in the accounts at the alternative maximum rates allowed by the Income Tax Regulations. Maximum rates including the 50% straight line capital cost allowance on eligible equipment were used in the prior year.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER, 1966

Consolidated Net Profit from Operations

After Deducting Expenses of Manufacturing, Selling and Administration \$1,692,841

Deduct:

Interest on Debentures 74,748
1,618,093

Deduct:

Provision for Depreciation 345,327
1,272,766

Deduct:

Provision for Income Taxes 595,355

Consolidated Net Profit for Year

Transferred to Consolidated Earned Surplus \$ 677,411

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of
P. L. Robertson Manufacturing Company Limited,
Toronto, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of P. L. Robertson Manufacturing Company Limited as at December 31, 1966, and the consolidated statements of profit and loss and earned surplus for the year ended on that date. Our examination of the financial statements of P. L. Robertson Manufacturing Company Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the foreign subsidiaries.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss and earned surplus present fairly the financial position of the companies as at December 31, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year subject to the notes attached.

Yours truly,
W. F. HOUSTON & COMPANY,
Chartered Accountants.

April 10, 1967
Toronto, Ontario.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED 31 DECEMBER, 1966

Consolidated Earned Surplus at December 31, 1965		\$3,756,791
Add:		
Net Profit for the Year		677,411
Discount on Redemption of Debentures		<u>4,700</u>
		4,438,902
Deduct:		
Loss on Disposal of Equipment	\$ 3,447	
Expenses on Issue of Debentures	<u>12,792</u>	
		<u>16,239</u>
Deduct:		4,422,663
Dividends:		
6% Cumulative Redeemable First Preference Shares — Series A	57,180	
Cumulative \$1.00 Dividend Third Preference Shares		
Including Participating Dividend	<u>167,258</u>	
		<u>224,438</u>
		4,198,225
Deduct:		
Special Tax — 15% — Election under Section 105(2) of the Income Tax Act	18,447	
Stock Dividends	<u>104,536</u>	
		<u>122,983</u>
Consolidated Earned Surplus at December 31, 1966		<u>\$4,075,242</u>



CENTENNIAL PROJECT

Treatment of effluents from manufacturing processes.

Acid recovery unit for processing sulphuric acid pickle solutions. This unit enables us to re-use the sulphuric acid.



Water recovery unit for purifying the water from the acid recovery unit. This unit enables us to re-use the water in our manufacturing processes.





▲ New Toronto Office and Warehouse Building.

Partial View of Interior of New Office ▼



Loading Area,
Toronto Warehouse.



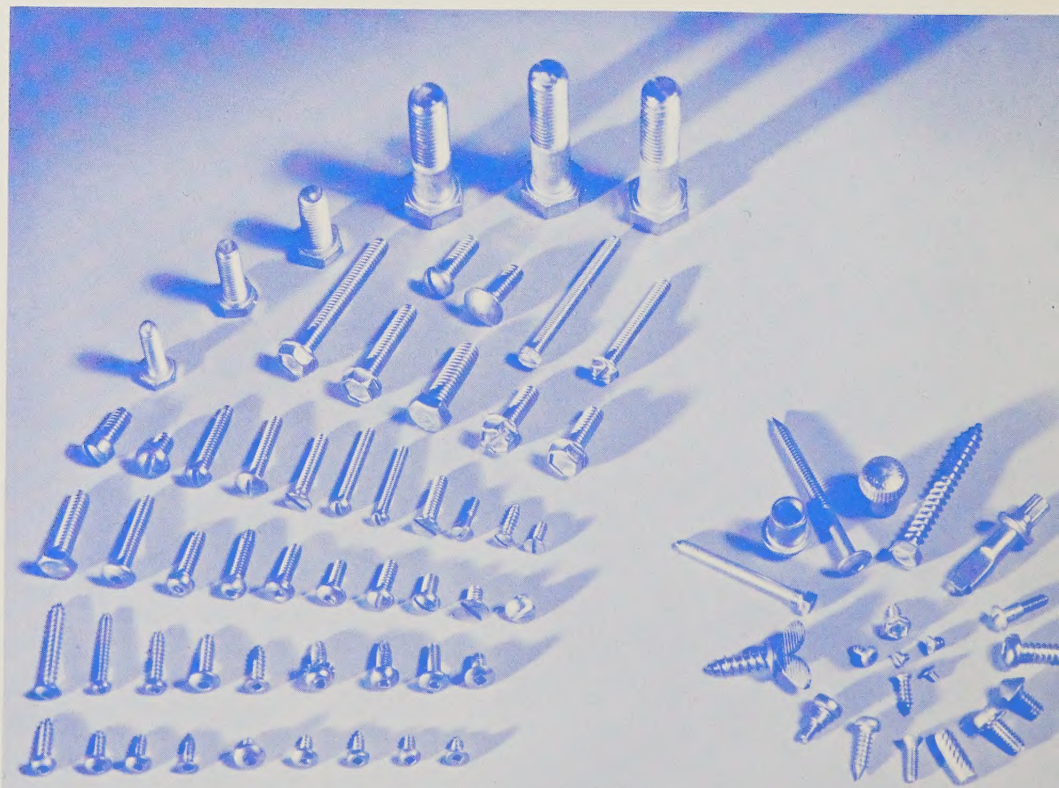
Storage and
Shipping Area,
Toronto Warehouse.





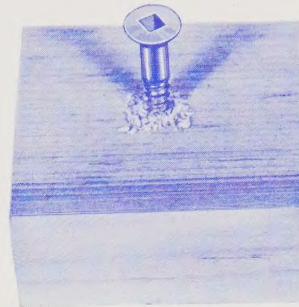
▲
New Testing Equipment
in Quality Control
Department.

Assorted Standard
and Special Fasteners. ▶

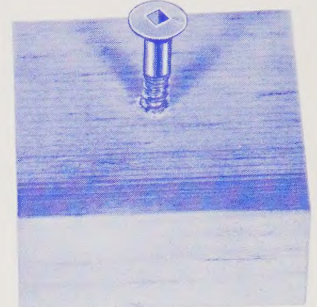


NEW FASTENERS

CANDRIL[®] SELF-TAPPING WOOD SCREWS



CANDRIL[®]

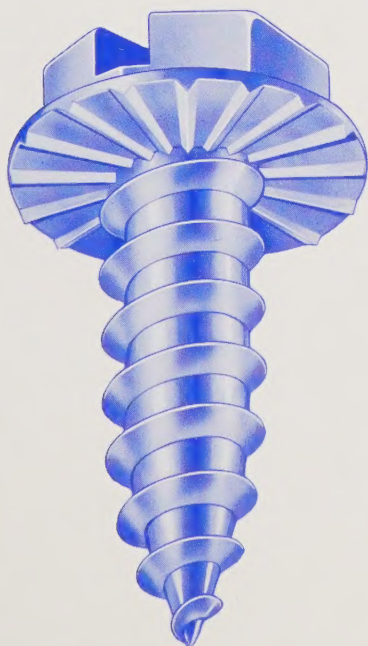


ORDINARY SCREW



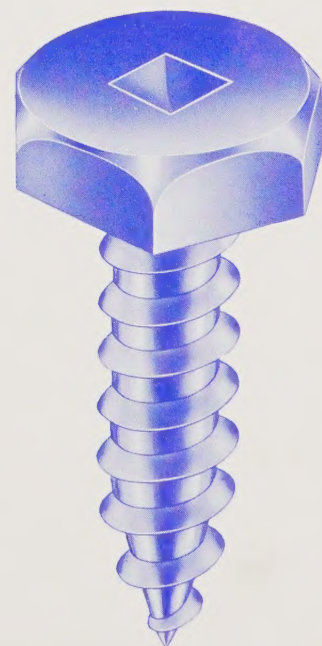
SPECIAL AUGERING FEATURE OF SCREW
FLUTE MAKES FOR FASTER & CLEANER
DRILLING AND CHIP DISPERSAL

CANDRIL[®] SELF-DRILLING TAPPING SCREW



EXTRA SHARP
SPECIALLY
DESIGNED POINTS
ELIMINATES PUNCHED OR
DRILLED HOLES
STARTS ITS OWN HOLE IN
LIGHT GAUGE SHEET STEEL

RECEX[®] NEW COMBINATION HEXAGON & SQUARE RECESS SCREWS



**SCRULOX
SQUARE
RECESS**

U.S. #2936010

U.S. #2914984

PATENTED
Canada #588063

**A CANADIAN OWNED COMPANY
CANADA'S LARGEST FASTENER MANUFACTURER**